

## Message Text

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TAGS: EG, IS, PINR

SUBJECT: INTSUM 559 - MAY 8, 1978

LONDON FOR KINSOLVING  
PARIS FOR NICHOLAS MURPHY  
OTHER ADDRESSEES FOR CHIEFS OF MISSION

1. EGYPT. PRIME MINISTER SALEM, AFTER CONSULTING WITH PRESIDENT SADAT, ANNOUNCED A CABINET RESHUFFLE YESTERDAY. CHANGES THAT WERE ANNOUNCED WERE MINOR, WHILE GAMASY, KAMIL AND INTERIOR MINISTER ISMAIL RETAINED THEIR POSITIONS. AS SALEM NOTED IN HIS LACKLUSTER SPEECH FOLLOWING THE ANNOUNCEMENT, THE RESHUFFLE DEALT PRIMARILY WITH THOSE SECTORS WHICH HANDLE AREAS OF POPULAR CONCERN--AGRICULTURAL PRODUCTION, SUPPLY, HOUSING AND TRANSPORT. THE SIZE OF THE NEW CABINET WAS INCREASED BY THREE FROM 28 TO 31 AND INCLUDES FIVE NEW FACES. SEVERAL MINISTRIES WERE SPLIT TO IMPROVE THEIR EFFICIENCY.

2. THE MOST SIGNIFICANT CHANGE WAS THE REMOVAL OF DEPUTY PRIME MINISTER OF FINANCIAL AND ECONOMIC AFFAIRS KAISSOUNI, WHOSE DESIRE TO RESIGN--BOTH FOR HEALTH REASONS AND BECAUSE OF THE LACK OF SUPPORT FOR HIS POLICIES--HAD BEEN WIDELY DISCUSSED IN CAIRO FOR SEVERAL WEEKS. KAISSOUNI

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HAD BEEN FACING INCREASED OPPOSITION IN THE CABINET SINCE THE JANUARY 1977 RIOTS WHICH FOLLOWED HIS ANNOUNCED INTENTION TO ELIMINATE GOVERNMENT SUBSIDIES FOR BASIC COMMODITIES. AS A RESULT OF THE RIOTS, THE MOST POLITICALLY ATTUNED MEMBERS OF THE CABINET BEGAN TO OPPOSE MANY OF HIS ECONOMIC REFORMS BECAUSE OF THE HARDSHIPS WHICH THEY WOULD HAVE CAUSED FOR THE EGYPTIAN POOR. KAISSOUNI LOST A POTENTIAL ALLY, GAMASY, EARLIER THIS YEAR WHEN HE USED A SAUDI GRANT, WHICH WAS GIVEN TO PURCHASE C-130'S, FOR DOMESTIC NEEDS. GAMASY WAS IRATE WHEN HE LEARNED OF THIS MISUSE OF FUNDS.

3. ALTHOUGH MOST EGYPTIANS WILL NOT REGRET KAISSOUNI'S REPLACEMENT, SOME ARE CONCERNED ABOUT THE IMPACT ON THE INTERNATIONAL FINANCIAL COMMUNITY. HE HAD BEEN CRITICAL IN BUILDING CREDITOR CONFIDENCE IN EGYPT'S ECONOMIC REFORM POLICIES AND IN FORGING LINKS TO FOREIGN DONORS. SALEM AND SADAT UNDOUBTEDLY CONSIDERED THE NEED FOR INTERNATIONAL CONFIDENCE AS LESS PRESSING THAN THE NECESSITY OF REASSURING THE EGYPTIAN POPULACE. CONTINUITY OF ECONOMIC POLICY, HOWEVER, WILL BE ENSURED PARTIALLY BY THE CONTINUING PRESENCE OF MINISTER OF ECONOMY EL SAYEH AND MINISTER OF FINANCE HAMED.

4. THE CABINET CHANGES WILL DO LITTLE TO DAMPEN INCREASINGLY VOCAL PUBLIC COMPLAINTS ABOUT INEFFICIENCY AND CORRUPTION. TWO MINISTERS WHO HAVE BEEN THE TARGETS OF

CORRUPTION COMPLAINTS--THE MINISTER OF TOURISM AND THE MINISTER OF INFORMATION--RETAIN THEIR POSTS. MANY CRITICS BELIEVE THAT THE MINOR RESHUFFLE IS MERELY A WAY OF BUYING SOME TIME. THEY BELIEVE THAT A MAJOR CHANGE INCLUDING THE REMOVAL OF SALEM IS NECESSARY. ARAB SOCIALIST UNION SECRETARY GENERAL KHALIL OBSERVED RECENTLY THAT MORE "SUBSTANTIAL" CHANGES WILL TAKE PLACE IN OCTOBER OR PERHAPS EARLIER.

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5. IN ANNOUNCING THE CHANGES, SALEM MADE IT CLEAR THAT EGYPT'S COMMITMENT TO THE PEACE PROCESS REMAINED COMPLETE. HE NOTED THAT "ALL DEVELOPMENTS HAVE PROVED THAT THE PEACE INITIATIVE IS CORRECT, SOUND AND FARSIGHTED." SECRETARY GENERAL KHALIL OBSERVED THAT THE VAST MAJORITY OF EGYPTIANS ARE NOT YET DISILLUSIONED WITH THE PEACE PROCESS, ONLY THE INTELLECTUALS. MOREOVER, LITTLE BLAME IS PLACED ON SADAT FOR THE CURRENT STALEMATE BECAUSE BEGIN IS SEEN AS RESPONSIBLE.

6. FINALLY, SALEM ALSO HINTED THAT THE EGYPTIAN GOVERNMENT IS CONCERNED THAT ITS POLITICAL LIBERALIZATION PROGRAM IS BEING MISUSED BY SOME ELEMENTS. WE BELIEVE THAT WHILE THE GOVERNMENT MAY BE CONCERNED ABOUT THESE ABUSES, THERE IS LITTLE THAT CAN BE DONE. THE PROCESS HAS NOW GONE TOO FAR TO REVERSE WITHOUT CREATING EVEN GREATER PROBLEMS FOR THE GOVERNMENT. FOR INSTANCE, A CRACKDOWN ON THE OPPOSITION PRESS AND DEBATE IN THE PEOPLE'S ASSEMBLY COULD SERVE ONLY AS A CATALYST TO UNITE DISPARATE OPPOSITION ELEMENTS. (SECRET)

7. LEBANON. REPORTS INDICATE THAT PALESTINIANS NORTH OF THE LITANI AND CHRISTIANS IN THE MARJAYOUN REGION EXCHANGED FIRE YESTERDAY. SUCH CLASHES, AS WELL AS NUMEROUS INDICATIONS THAT FEDAYEEN ARE INFILTRATING AREAS FROM WHICH THE ISRAELIS HAVE WITHDRAWN, WILL CREATE ADDITIONAL PRESSURES ON THE ISRAELIS TO DELAY A FURTHER WITHDRAWAL. (UNCLASSIFIED)

8. SYRIA. THE UNCERTAIN PROSPECTS FOR LEBANON'S STABILITY HAVE STIMULATED A REAPPRAISAL BY THE SYRIANS OF THEIR ROLE IN LEBANON. WHILE ASSAD SEEMS TO BE TRYING TO KEEP HIS OPTIONS OPEN, HE HAS FOSTERED THE IMPRESSION

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THAT HE IS SERIOUSLY CONSIDERING A PARTIAL WITHDRAWAL OF SYRIAN TROOPS FROM LEBANON. HIS WILLINGNESS TO TOLERATE A DOMESTIC DEBATE AS HE READJUSTS HIS STRATEGY SUGGESTS THAT HE PERCEIVES THE NEED TO ENLIST PUBLIC SUPPORT FOR

THE TOUGH CHOICES THAT LIE AHEAD.

9. ASSAD'S ABILITY TO DEAL WITH THE INHERENT AMBIGUITY OF LEBANON'S SITUATION APPARENTLY HAS PERSUADED SENIOR COLLEAGUES THAT THE WITHDRAWAL OPTION IS A REALISTIC POSSIBILITY. AS A RESULT, MILITARY, SECURITY, AND BAATH PARTY OFFICIALS HAVE BEEN EMBOLDENED TO SPECULATE ABOUT PULLING OUT OF LEBANON IF PROVOCATIONS AGAINST SYRIAN TROOPS CONTINUE. IN THE MEANTIME, EMBASSY DAMASCUS SOURCES PREDICT THAT THE SYRIANS WILL CONTINUE THEIR EFFORTS TO CONTROL LEBANESE MILITIAS AND PLO FORCES.

10. THE SYRIANS PRESUMABLY THINK THAT EVENTS IN LEBANON ALREADY HAVE ENHANCED THE CREDIBILITY OF A THREAT TO WITHDRAW AS A MEANS OF FRIGHTENING THE CHRISTIANS AND PALESTINIANS. FURTHER, THE SYRIANS HAVE BECOME LESS CONCERNED ABOUT WHAT WOULD HAPPEN IN LEBANON IF THEY WITHDREW SOME OF THEIR FORCES. SINCE THE SYRIAN INTERVENTION IN 1976, THE CONCERN THAT A RADICAL LEFTIST GOVERNMENT WOULD DOMINATE LEBANON HAS EVAPORATED AS THE

CHRISTIAN MILITIAS HAVE ATTAINED AN UNEASY BALANCE WITH PALESTINIAN-BACKED LEFTISTS. SOLIDLY ENTRENCHED IN THE BEKAA VALLEY AND NORTHERN LEBANON, THE SYRIANS HAVE ESTABLISHED A BUFFER AGAINST THE SPILLOVER EFFECTS OF RE-NEWED LARGE-SCALE FIGHTING OR AN ATTEMPT TO PARTITION THE COUNTRY.

11. FURTHERMORE, UNIFIL'S INVOLVEMENT IN SOUTHERN LEBANON DIMINISHES THE LIKELIHOOD OF AN ISRAELI-SYRIAN CONFRONTATION THERE. ASSAD IS AWARE THAT A PROLONGATION OF ISRAEL'S WITHDRAWAL FROM THE SOUTH COULD PROVOKE RE-SECRET

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NEWED CRITICISM OF SYRIAN PASSIVITY TOWARD ISRAEL. HE WOULD EXPECT, IN THAT EVENT, TO BE ABLE TO SHIFT THE ONUS OF RESPONSIBILITY TO THE INTERNATIONAL COMMUNITY.

12. AGAINST THIS BACKDROP, WE CANNOT DISMISS OUT OF HAND AN UNCONFIRMED REPORT FROM OUR DEFENSE ATTACHE IN DAMASCUS THAT SYRIA MAY REDUCE ITS TROOP STRENGTH IN LEBANON. ASSAD MIGHT CALCULATE THAT:

(A) THE WITHDRAWAL OF SOME UNITS WOULD CONVINCE THE LEBANESE, PALESTINIANS, AND ISRAELIS THAT SYRIAN PATIENCE WITH THEIR MANEUVERINGS FOR POSITION IS NOT INEXHAUSTIBLE;

(B) THE MAINTENANCE OF A LOWER PROFILE WOULD INCREASE DOMESTIC SUPPORT IN SYRIA FOR CONTINUING TO MAINTAIN A MILITARY PRESENCE IN LEBANON;

(C) FANFARE ACCOMPANYING THE RETURN OF SOME TROOPS TO THE GOLAN FRONT WOULD REFOCUS THE ARMY'S ATTENTION ON THE ISRAELI ADVERSARY.

IF SARKIS' EFFORT TO FORM AN EFFECTIVE NEW GOVERNMENT DOES NOT WORK, AND IF HEAVY FIGHTING RESUMES, ASSAD PROBABLY ASSUMES THAT SYRIAN REINFORCEMENTS COULD BE BACK QUICKLY.

13. ASSAD'S REASSESSMENT OF HIS ALTERNATIVES IN LEBANON WILL NOT NECESSARILY HAVE AN IMMEDIATE IMPACT ON US INTERESTS. IT IMPLIES, HOWEVER, THAT HE WILL NOT AUTOMATICALLY CONTINUE TO PAY A HIGH COST TO ACHIEVE HIS OBJECTIVES THERE. MOREOVER, A DECISION TO WITHDRAW SOME TROOPS -- WHICH AS FAR AS WE KNOW, ASSAD HAS NOT YET TAKEN -- COULD PROVE SO POPULAR ON THE HOME FRONT THAT  
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HE WOULD HAVE TROUBLE REVERSING THE PROCESS. (SECRET)

14. ISLAMIC CONFERENCE. THE NINTH ISLAMIC FOREIGN MINISTERS CONFERENCE, WHICH MET IN DAKAR LAST WEEK, WAS PREOCCUPIED WITH DIVISIVE POLITICAL ISSUES. THE LIBYANS PUSHED FOR STRONG ACTION ON THE MIDDLE EAST AND THE MUSLIM MINORITY IN THE PHILIPPINES. THE MODERATES WERE UNABLE TO WATER DOWN A TOUGH PLO RESOLUTION ON THE MIDDLE EAST WHICH STRONGLY CRITICIZED THE US, BUT THEY MANAGED TO SOFTEN A RESOLUTION ON THE PHILIPPINE MUSLIMS.

15. THE EGYPTIANS FOUGHT HARD AT THE CONFERENCE AGAINST LIBYAN AND PLO ATTEMPTS TO GENERATE CRITICISM OF SADAT'S INITIATIVE. THE SAUDIS--DESPITE VIGOROUS LOBBYING AND THE SUPPORT OF TUNISIA, SUDAN, AND SENEGAL--WERE UNABLE TO KEEP STRONG CRITICISM OF THE US, AND INDIRECTLY OF SADAT, OUT OF THE FINAL RESOLUTION. THE RESOLUTION CONDEMNED "DEFEATIST ATTEMPTS SPONSORED BY THE US TO SERVE ITS INTERESTS IN THE AREA (OR) TO SAFEGUARD THE ZIONIST RACIST PRESENCE IN OCCUPIED TERRITORIES EITHER THROUGH SPONSORING BILATERAL SOLUTIONS OR BY PASSING THE PALESTINE PROBLEM." IT ALSO CONDEMNED ISRAEL'S INVASION OF LEBANON AND REAFFIRMED THE USUAL LIST OF PALESTINIAN RIGHTS. (LIBYANS REPORTEDLY DOMINATED THE MEETING. THE PLO JOINED LIBYA IN ACTING AGGRESSIVELY DURING DEBATES, BUT WAS CONCILIATORY IN PRIVATE DISCUSSIONS. ONE PLO DELEGATE WAS SAID TO HAVE COMMENTED PRIVATELY THAT THE REFUSAL FRONT WAS USELESS, AND ONLY EGYPT COULD ACCOMPLISH ANYTHING.)

16. FOR THE SECOND STRAIGHT YEAR THERE WAS NO DIRECT REFERENCE TO THE UNGA'S ZIONISM-AS-RACISM RESOLUTION. THE CONFERENCE, HOWEVER, AS IT HAS DONE SINCE 1975, CALLED FOR SANCTIONS AGAINST ISRAEL, "INCLUDING EXPULSION FROM THE UN." EGYPT AND CHAD REPORTEDLY REGISTERED

RESERVATIONS ON THIS POINT. (CONFIDENTIAL)

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17. OPEC. THE OPEC OIL MINISTERS, IN A TWO-DAY MEETING IN TAIF, SAUDI ARABIA, THAT ENDED YESTERDAY, AGREED TO SET UP A COMMITTEE TO STUDY LONG-TERM POLICIES AND TO KEEP THE US DOLLAR AS THE PRICING UNIT FOR CRUDE OIL. THE POLICY STUDY COMMITTEE WILL INCLUDE THE OIL MINISTERS OF SAUDI ARABIA, ALGERIA, IRAN, IRAQ, KUWAIT, AND VENEZUELA. IT WILL TAKE UP A VARIETY OF ISSUES, INCLUDING PRICING AND GLOBAL OIL SUPPLY AND DEMAND CONDITIONS.

18. MANY OF THE MINISTERS AT THE INFORMAL CONFERENCE WERE SATISFIED THAT THE US DOLLAR HAD STRENGTHENED AND BELIEVED THE DOLLAR WOULD MOVE UP FURTHER BEFORE NEXT MONTH'S FORMAL OPEC MINISTERIAL MEETING IN GENEVA. IRAQ DISAGREED WITH THE MAJORITY AND ARGUED THAT THE RECENT PICKUP IN THE DOLLAR'S VALUE WAS TEMPORARY.

19. DESPITE CALLS BY IRAQ AND LIBYA FOR AN OIL PRICE INCREASE, THE CONFEREES REACHED NO AGREEMENT ON PRICES. SAUDI OIL MINISTER YAMANI STATED THAT PRICES SHOULD REMAIN FROZEN FOR THE REMAINDER OF THE YEAR, BUT HE EXPECTS SOME MEMBERS TO CALL AGAIN FOR AN INCREASE AT NEXT MONTH'S MEETING. (UNCLASSIFIED)

20. KUWAIT. IN THE FOUR MONTHS SINCE SHAYKH JABIR AL-AHMAD AL SABAH BECAME AMIR OF KUWAIT, THE TRANQUILITY OF THE CHANGE IN RULERS HAS BEEN CONFIRMED. THE NEW AMIR, WHO HAD SERVED AS PRIME MINISTER SINCE 1965, BECAME THE RULER ON JANUARY 1, 1978, SUCCEEDING HIS UNCLE, AMIR SABAH AL-SALIM AL SABAH, WHO DIED THE PREVIOUS DAY. SHAYKH SA'D AL-ABDALLAH, CHOSEN AS THE NEW CROWN PRINCE AND ALSO AS THE PRIME MINISTER, HAS FORMED A CABINET WHOSE COMPOSITION DIFFERS LITTLE FROM THE PREVIOUS

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GOVERNMENT. THE AMIR'S POLICIES ARE EXPECTED TO CLOSELY PARALLEL THOSE OF HIS PREDECESSORS--MODERATELY PRO-WEST YET NON-ALIGNED; THE PRIME MINISTER, HOWEVER, MAY BE MORE FORCEFUL IN PUSHING KUWAITI INTERESTS THAN THE AMIR WAS IN THAT OFFICE. (CONFIDENTIAL) VANCE

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